

**FINANCE COMMITTEE MEETING MINUTES
4016 WEST BROAD STREET
RICHMOND, VIRGINIA**

MAY 22, 2006

PRESENT: C. T. Hill, Chairman, Tom Stroup, William T. Greer, Jr., Marshall Davison, Sherry Smith Crumley by telephone; **INTERIM DIRECTOR:** W. Gerald Massengill, **STAFF:** David Whitehurst, Ray Davis, Bob Duncan, Gary Martel, John Moore, Virgil Kopf, Jeff Uerz, Jeff Decker, Julia Dixon, Phil Smith, Vicki Krisnitski

Following a working dinner, Chairman Hill called the meeting to order at 6:00 p.m. Staff in attendance were introduced.

Mr. Hill reviewed the minutes of the April 10, 2006 meeting and requested the recording secretary to add a September 19, 2006 meeting date. After determining that there were no additional changes or edits, **Dr. Greer moved, seconded by Mr. Davison, passed unanimously that the minutes be approved as written and amended.**

Committee Charter: At its April 10 meeting, the Committee received a draft Charter defining the specific duties of the Finance, Audit and Compliance Committee. Staff amended the draft charter as requested (terms of the Committee members will be staggered, that strategic planning will be responsibility of the Education, Planning and Outreach Committee, and clarifying meeting requirements of the Committee with the Chief Compliance Review Officer and external accountants. **Mr. Stroup moved, seconded by Mr. Davison, passed unanimously to approve the proposed charter as amended and presented.**

At the April 25, 2006 Board meeting, the Board Chair announced the staggered terms for the members of the Finance, Audit and Compliance Committee. Mr. Hill and Mr. Stroup were appointed to three year terms, Mr. Davison and Dr. Greer, two years, and Sherry Crumley, one year.

Financial Report Format: Staff presented a proposed financial report format to the Committee for consideration that included an executive summary by month, an explanation of available funds, a report on earned interest and a comparison of monthly expenditures as they relate to the budget, along with encumbrances. The format also included a status report on revenue by specific funds and capital outlay expenditures. The Committee requested staff to also report expenses on a division versus a department basis (what divisions spend for specific programs). Staff was requested to have a revised

financial report model available for consideration by the June 12 Small Purchase Card Committee (SPCC) meeting.

SPCC Report: John Moore reviewed the SPCC's findings from its May 19, 2006 meeting. He noted that two cards are currently suspended due to policy violation. Also, the 10% random review of card activity revealed the need to explore a service contract with one vendor that is being used repeatedly for different but related services. Staff noted that the approval process for the small purchase card is working. Department employees have been trained and overall, the card is being used appropriately.

Colonel Massengill noted that at an upcoming meeting, senior staff will receive a listing of reoccurring problems being seen with the small purchase credit card. The next SPCC Review Meeting will be June 12, 2006 at 2:00 p.m.

FEDERAL AUDIT DISCUSSION: Staff reported that the agency has received and responded to the draft Federal Audit Report and a copy of the report and the agency response was provided to each member. The report contained four recommendations pertaining to: (1) Program Income resulting from timber sales; (2) annual license certification concerns will be addressed with the agency's point of sale license delivery system; (3) asset management, computer-related equipment, and (4) asset management, equipment. Staff is working with Virginia Information and Technology Agency staff to resolve concerns regarding computer related equipment. In its response to the audit, staff noted that the issue raised regarding program income was covered with cost overruns that were sufficient to cover the questioned cost. Additionally, staff plans to convert to a metal tag to correct the problems associated with equipment tags fading. Tag placement on equipment is also being standardized.

John Moore indicated that the federal auditors commended the work that is being done by Fred Leckie, Rick Busch, Becky Wajda and Karen Fleri. He felt that the good audit was a result of their efforts. U. S. Fish and Wildlife Service staff indicated that they felt that the Department's audit was one of the better audits in the region.

APA AUDIT UPDATE: Staff presented an update on the agency audit that was performed by the office of the Auditor of Public Accounts. Mr. Moore referenced an email received from Karen Helderman, Audit Director for the APA that covered their preliminary findings. Staff felt that the remarks were positive. Preliminary concerns were: the orientation program for new Board members needs to be completed, the agency needs to work on its vehicle policy, the Board needs to develop performance standards for the agency's director, and the Auditor is concerned with John Moore serving the dual roles of chief compliance officer as well as the agency's accounting manager. They feel that the agency needs an independent internal auditor. Staff felt that a fulltime internal auditor would not be the proper use of a fulltime position. The

Board's Governance Manual delegates the responsibility for new Board member orientation to the Vice Chairman of the Board.

Mr. Moore noted that staff is continuing to work on the agency's vehicle policy. Ray Davis is currently heading a task force that is working on this issue

Ray Davis reported that John Moore is a CPA and a certified internal auditor, and he provided clarification to the Committee on why the Agency felt that it would be appropriate for Mr. Moore to act as its Chief Compliance Officer.

Mr. Moore explained that an exit interview will be held between the Auditor of Public Accounts and staff, and he suggested that at least one member of the Board attend the exit conference. Staff's goal is to schedule the exit conference with the Auditor prior to the June 20 Board meeting.

The Committee felt that it should brief the full Board on the Department's Federal Audit and the agency's response to the audit, and the draft audit of the Auditor of Public Accounts. Mr. Hill indicated that staff will be requested to assist with the audit briefing at the June 20 Board meeting.

2007 Budget Discussion: Staff presented an overview of the agency's 2007 budget. The agency's appropriation for operations is \$49.5 million, which is approximately \$3.5 million over last year. The increased appropriation is in the area of personnel costs. The agency's revenue estimate is approximately \$50 million. Staff noted that the Department cannot spend beyond its appropriation.

When the Department's budget team began its budgeting process, requests received from the field exceeded \$54 million, and significant cuts were required. In looking at all possible reductions, equipment and other non-personnel costs were reduced to less than the 2006 level by the budget team. After those cuts, the budget was still \$106,000 over the agency's appropriation due to increased lease, materials and gasoline costs. At that point, the budget team began an analysis of all vacant personnel positions (16 positions).

Colonel Massengill met with Division Directors and with their consensus, most of the 16 vacant positions will be frozen. Some of these positions have been advertised, and interviews have already been held for others. The positions impacted include a biologist in Region I, a data analyst position in the Wildlife Division, the manager for the Montebello Hatchery will not be hired until the housing situation is addressed with a temporary facility, four new positions in the Wildlife Diversity Division will not be filled, P-14s will be used to perform the work done by full time employees that resigned in the Purchasing section and the mail room, two P-14s will remain in the Human Resources section to work on compensation reform issues, the P-14 boating safety coordinator hours have been reduced from 6,000 to 3,000 hours; a vacancy in the boat

titling and registration section will remain open; a secretarial position in the Wildlife Division will remain vacant, and an existing position in Capitol Programs will be cut.

The agency is required to have a boating law administrator to receive some federal funds. Jeff Decker, the current boating law coordinator is resigning. The position will have to be filled, but if it is filled by a current employee, the new vacancy will not be filled.

The Region IV Wildlife Division regional manager has retired, and the position will have to be filled. If the successful candidate is a current employee, the resulting vacancy will remain open.

Two positions in the Accounting Section will be impacted with the implementation of point of sale. Those two positions will be re-evaluated and perhaps reassigned to other areas.

A contract position in the Information Management Section has been converted into an agency position which has resulted in a \$20,000 to \$30,000 savings to the Agency.

Currently, the agency has a 150,000 mile vehicle replacement policy. That policy will be modified to provide for the continued use of a qualifying vehicle if it is deemed safe.

Other measures being undertaken include:

- No growth in the Agency's employment level (279 non-sworn positions and 191 sworn officers- one additional officer).
- Management staff in the Law Enforcement Division will drive sedans instead of SUV's.
- Eliminate the purchase of additional canoes and kayaks and one tractor will not be bought by the Wildlife Division.
- P-14 positions will be reduced from 51 to 48, and perhaps lower.
- Division budgets will be based on actual spending patterns for the past few years.
- Staff will re-evaluate the 39 vehicles assigned to headquarters, and non-law vehicles in the field will be re-evaluated.
- Car pooling is being considered for situations where appropriate.
- Cell phones will be cut to one per employee. In some instances, to have coverage across the state, some employees were assigned more than one cell phone.
- We will eliminate the clipping service used by the media relations coordinator.
- The \$200,000 contract with the Association of Broadcasters will be eliminated.
- Training mileage costs will be capped for our outdoor education, hunter education and boating education program volunteers.

- The two new wildlife management areas will be managed with existing staff by adjusting work schedules.
- Reassign unused or low use ATV's from other divisions to the Law Enforcement Division.
- Reduce DVD purchases for the Outdoor and Hunter Education programs.
- The headquarters warehouse will not be built.
- Travel will be reviewed for mission-necessary utilization only.

Staff noted that capital program costs will have to come from cash balances or potentially some additional revenue obtained from the proposed license fee increase. Since the Agency's appropriation is limited to \$49.5 million, revenue earned from a license fee increase will go into the cash balance or for capital program costs. Staff clarified that the agency can seek an increased appropriation if needed to cover received grant funds or for salary increases. It is unlikely that the appropriation would be increased if license fees are raised.

Equipment needed to insure officer or employee safety will not be cut. Staff also noted that if a Division realizes significant savings during the first half of the fiscal year, consideration may be given to filling a frozen position.

Staff noted that the Agency pays approximately \$4,500 per year for an employee's health insurance, the employee plus one is \$8,500 and a family plan is approximately \$12,000 for each employee in these categories. Sworn personnel benefits cost 42.2% of the employee's salary.

Staff will prepare a planned management document that will be distributed to Board members with the June 20 meeting briefing materials. The Board will be requested to approve the Agency's budget at that meeting. Staff noted that it feels that it has maximized areas where the budget can be cut without damage to program delivery.

Ms. Crumley and Colonel Massengill have discussed drafting a letter for placement on the Web that would address some of the misinformation that is being distributed. They also considered the use of an op ed piece for some of the major newspaper markets. There is misunderstanding as to why the Board is proposing the \$5.00 increase instead of incremental increases annually. The enabling legislation prohibits fees from being raised more frequently than once every three years. It was the consensus of the Committee members that the better approach might be the most effective tool.

Ms. Crumley noted that some are questioning the Department's expenditures on Wildlife Diversity. She asked staff to seek federal grant funds and staff reported that it is currently evaluating fees assessed for services provided and costs associated with the magazine and hunting guides. Colonel Massengill commented that the Agency currently has one full time position dedicated to the management of grant funds.

Staff recognizes that frozen positions may have a negative impact on the amount of federal funds the Agency can generate. With reference to wildlife enthusiast contributions to DGIF, Virgil Kopf noted that their contributions through HB 38 more than cover the cost for the Wildlife Diversity program. Additionally, they contribute through the watercraft sales and use tax with the purchase of pleasure boats.

David Whitehurst noted for the record the tremendous support that wildlife enthusiasts have shown for DGIF. They spoke in support of HB 38 and are a tremendous asset to the Department and its programs.

Bob Duncan noted for the record that the Department will receive complaints when it has to cut and/or eliminate services and programs.

ADDITIONAL BUSINESS: Committee members considered possible options to address constituent concerns regarding the proposed license fee increase. The overall message being heard is that constituents want to receive more opportunities for their increased fees. Sunday hunting continues to be an issue.

The Committee recognized efforts that have been undertaken to inform the public about the proposed license fee increase (letters to members of the General Assembly, relevant speaking points were prepared for staff, and a press release was generated). Staff was encouraged to continue to work with constituents and constituent groups.

Mr. Davison asked staff to provide the Committee with clarification on each division's portion of the agency's budget.

PUBLIC COMMENT: Dr. Lee Albright encouraged Colonel Massengill to address some of the issues appearing on the internet. He felt that the conversations he had with the Colonel were very helpful.

As there was no further business, the meeting was adjourned by the Chairman at 7:55 p.m.

Respectfully submitted,

Belle Harding
Board Secretary